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OCTOBER 2013 SPECIAL EDITION

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BW-12 SPECIAL EDITION

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Hawaii Flood News

DEPARTMENT OF LAND AND NATURAL RESOURCES
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Biggert-Waters Flood Insurance Reform Act 2012

The combination of escalating cost of disaster relief for flood losses and the lack of availability of flood insurance from the private market, prompted the U.S. Congress to create the National Flood Insurance Program (NFIP) in 1968. The intent of the program was to reduce future flood damage through community floodplain management regulations, and provide flood insurance to participating communities. Between 1980 - 1982, all four of Hawaii's counties joined the NFIP program. At that time, FEMA provided each County with Flood Insurance Rate Maps (FIRM) that identified the Special Flood Hazard Areas (SFHA) - A or V zones. Concurrently, each County developed and adopted regulations for development within those SFHA. Existing structures that were built before these community floodplain management regulations, were not likely built to modern day standards and therefore subject to greater risk for flood damage, while receiving subsidized flood insurance. FEMA absorbed this increase risk by subsidizing the premiums on these older homes. Then within the last 8 years, the nation suffered devastating storm events like Hurricane Katrina, Rita, Superstorm Sandy and most recently the severe flooding in Colorado. These disasters have sent the NFIP in debt to the tune of \$24 billion dollars and rising and caused Congress to implement changes to the NFIP.

The Biggert-Waters Flood Insurance Reform Act of 2012 (BW-12) was passed by Congress and signed by the President on July 6, 2012. BW-12 extends the NFIP for five years, while requiring significant program reform. The law requires changes to all major components of the program, including flood insurance, flood hazard mapping, grants, and the management of floodplains. Many of the changes are designed to make the NFIP more financially stable, and ensure that flood insurance rates more accurately reflect the real risk of flooding. Essentially BW-12 calls for the phase-out of subsidies and discounts on flood insurance premiums, which will affect many Hawaii residents and business owners.

Biggert-Waters 12 Milestones

Source: [Biggert-Waters Flood Insurance Reform Act of 2012 Timeline](#)

*Severe Repetitive Loss (SRL)

BW-12 becomes law, reauthorizing the NFIP for 5 years and requiring FEMA to eliminate discounts and subsidies

JULY 6, 2012

Subsidized rates for **non-primary residences** and discounts on flood insurance premiums for **pre-FIRM properties** begins phase out
Premiums increase 25% per year until they reach **full-risk rates**

JANUARY 1, 2013

Subsidized rates for **business properties, SRL properties***, and others begin phasing out; premiums increase 25% per year until they reach full-risk rates

Full-risk rates will apply immediately after sale of property, substantial damage/improvement, and policy lapses

OCTOBER 1, 2013

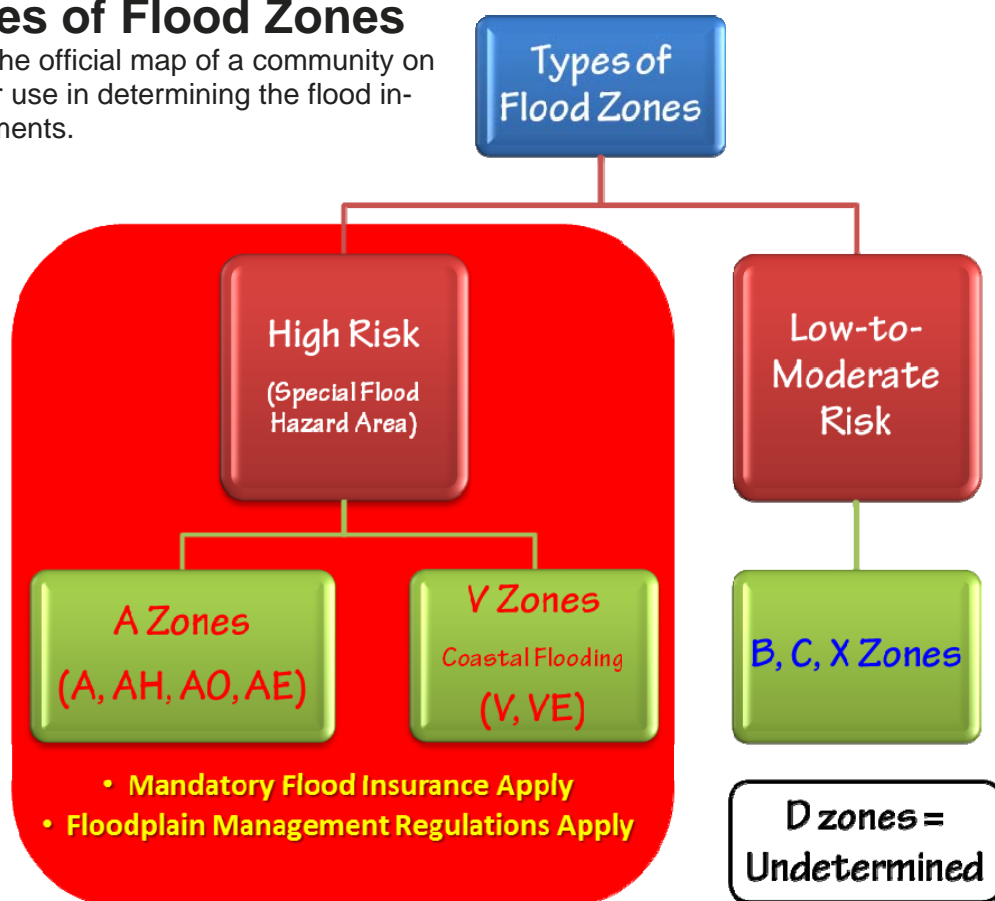
Anticipated phase-in of full-risk rates for **properties affected by map changes** over 5 years at rate of 20% per year

PLANNED FOR LATE 2014

Understanding the Types of Flood Zones

A Flood Insurance Rate Map (FIRM) is the official map of a community on which FEMA has identified the SFHA for use in determining the flood insurance premiums and building requirements.

The FIRM illustrates three general types of flood zones: High Risk, Low-to-Moderate Risk, and Undetermined Risk. Areas subject to flooding by the 1-percent-annual-chance flood event (aka 100 year storm) is called the Special Flood Hazard Area (SFHA). The SFHA is the area where the Community flood-plain management regulations must be enforced and the area where the mandatory purchase of flood insurance applies if you have a Federally backed mortgage. The SFHA is comprised of A and V zones. V zone areas are at risk of coastal hazards due to storm or tsunami induced velocity wave action. Low-to-Moderate zones in Hawaii FIRMs are X or X(shaded) zones. Hawaii also has D zones, which are areas where FEMA has not studied the flood risk. There is no requirement from FEMA to purchase flood insurance in a D zone.



Pre-FIRM vs. Post-FIRM

Each County voluntarily entered the NFIP program on a specific date. New construction after this date needed to meet FEMA's minimum building standards. Any structure constructed after the program entry date (as shown in the table below) is considered a Post-FIRM structure. Conversely, any structure that was constructed before the program entry date is considered a Pre-FIRM structure.

City and County of Honolulu
9/3/1980

Maui County
6/1/1981

Kauai County
11/4/1981

Hawaii County
5/3/1982



NFIP Dictionary

The following lists the frequently used acronyms, abbreviations and terms used in this newsletter:

BFE	Base Flood Elevations
EC	Elevation Certificate
FEMA	Federal Emergency Management Agency
FIRM	Flood Insurance Rate Maps
NFIP	National Flood Insurance Program
PRP	Preferred Risk Policy
SFHA	Special Flood Hazard Area

Terms to Know

Non-primary Residence: A building that is lived in for less than 80 percent of the policy year.

Tentative Rates: Tentative rates are a rate class used for up to one year on policies where the necessary information to rate a policy is missing such as the absence of an Elevation Certificate. These rates are higher than subsidized pre-FIRM rates but are not elevation-rated.

Lowest Floor: The lowest floor refers to the lowest enclosed area (including basement).

Subsidized Pre-FIRM Buildings in Special Flood Hazard Areas (SFHAs)

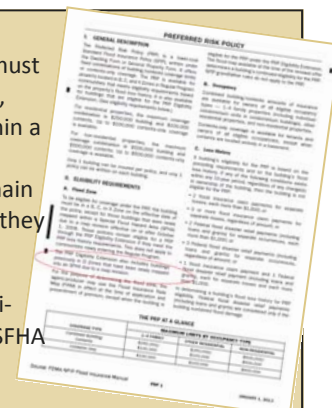
* Assignment of an NFIP policy is allowed. However, the assignment of an NFIP policy from a seller to a buyer occurring on or after July 6, 2012, could require re-rating and an Elevation Certificate for the buyer if it is currently rated with a subsidized rate (e.g., not a standard Zone X or PRP rate).

** BW-12 calls for increases to business properties. Businesses are included in a larger group of non-residential properties. Consequently, all subsidized pre-FIRM policies for non-residential properties will see the same increase upon purchase or renewal on or after October 1, 2013.

Currently, the NFIP provides two rating options to help reduce the financial impact of map changes. These are: Grandfathering and PRP Eligibility Extension.

Grandfather Rules: For map changes that occurred prior to October 1, 2008, policyholders whose properties were mapped into a higher-risk area or higher BFE were eligible for grandfathering. This process allowed policyholders to maintain their previous zone and BFE instead of shifting to the rate they could pay if the premium were calculated using the zone and BFE shown on the new FIRM. Some pre-FIRM properties were grandfathered using Zone X standard rates. These standard rates are not subsidized and thus will not increase because of the subsidy phase-out. Premiums still could increase based on actuarial analysis and the NFIP Reserve Fund.

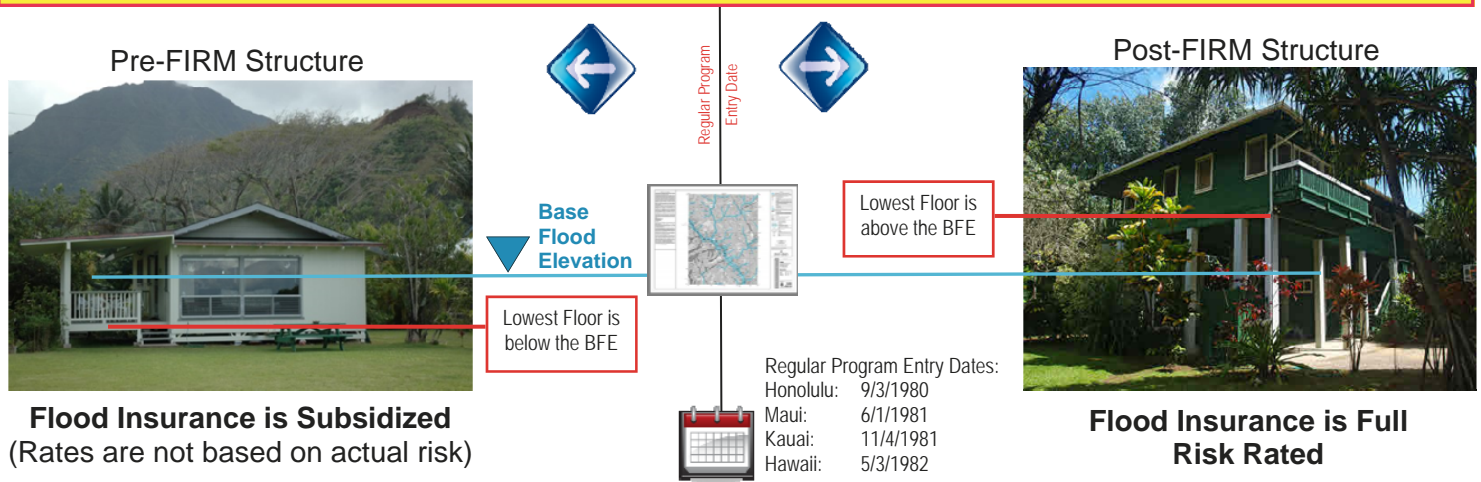
The PRP Eligibility Extension also includes buildings previously in D Zones that have been newly mapped into an SFHA due to a map revision.



What does it mean to be Full Risk Rated ?



Premiums are based on actual risk as identified on FEMA's effective Flood Insurance Rate Maps



What about me ?

If you own a home in a Special Flood Hazard Area (A or V zone), but don't fall into one of the trigger groups of BW-12 (pre-FIRM non-primary residence, pre-FIRM businesses, severe repetitive loss properties, new purchase after 7/6/12, or lapsed policies after 7/6/12), you might be wondering "What about me?", "Will my rates be increasing too?" ...

The answer is "YES". Current flood insurance policyholders will experience varying percentages of annual rate increases. In addition, a 5% reserve fund fee will be assessed for all policies other than PRP policies.

The following are the anticipated rate increases for policies renewed on or after October 1, 2013:

V Zones

Post-FIRM:	Anticipated Rate Increase Premiums will increase 11%
Pre-FIRM:	Premiums will increase 17%

A Zones

Post-FIRM A1-A30 and AE Zones:	Premiums will increase 6%
Pre-FIRM AE Zones:	Premiums will increase 16%
AO, AH, AOB, and AHB Zones (shallow flooding zones):	Premiums will increase 6%
Unnumbered A Zones:	Premiums will increase 8%
A99 Zones and AR Zones:	Premiums will increase 9%

D Zones : Premiums will increase 25 %

X Zones:

Standard X Policies	Premiums will increase 8%
Preferred Risk Policy (PRP)	Premiums will increase less than 1%
Preferred Risk Policy Eligibility Extension Program (PRPEE)	Premiums will increase 19%

IMPORTANT REMINDER: Existing policies (issued originally prior to July 6, 2012) on Pre-FIRM properties which are primary residences may continue to be renewed using the subsidized rate until the property is sold to a new owner or the policy lapses. It is important, therefore, that agents, companies, lenders, and policyholders maintain an awareness of the timely renewal of these existing policies to avoid a policy lapse which may then trigger full-risk rating and the need for an Elevation Certificate.

Homeowner's Guide to Elevation Certificates

An Elevation Certificate (EC) is an important tool that documents your building's elevation. If you live in a high-risk flood zone, you should provide an Elevation Certificate to your insurance agent to obtain flood insurance and ensure that your premium accurately reflects your risk. Obtaining an Elevation Certificate also can help you make decisions about rebuilding and mitigation after a disaster.

Comparing Your Building's Elevation to a Potential Flood Level

- ◆ Your insurance agent will use the EC to compare your building's elevation to the Base Flood Elevation (BFE).
- ◆ The base flood is a flood with a 1 percent chance of occurring in any given year. The BFE identifies how high the water is anticipated to rise (also called water surface elevation) in a base flood. The land area under the base flood is called the Special Flood Hazard Area, floodplain, or high-risk zone.
- ◆ Flood insurance rates in high-risk zones are based on a building's elevation above, at, or below the BFE.

Elevation and Flood Insurance Rates

- ◆ Generally, in high-risk zones, the higher above the BFE a building is located, the lower the insurance premium will be for that property. The EC provides the documentation necessary to make that determination.
- ◆ Moderate- to low-risk zone rates are not based on elevation, so an EC may not be necessary to determine the premium.

Finding Your Building's Elevation

- ◆ Many municipal governments keep elevation information on file. Talk to community officials about the information they might have for your building. (Note: Honolulu County does not have post constructions ECs for Oahu before 3/25/03)
- ◆ If no elevation information is available, you might need to hire a State-licensed surveyor, architect, or engineer to complete an EC. Depending on your location and the complexity of the job, the cost of a surveyor can vary from \$500 to \$2,000 or more. You may want to contact several local surveyors to find out what they offer.

Source: FEMA (<http://www.fema.gov/media-library/assets/documents/32330?id=7408>)



Checklist for New Home Buyers:

Buying a new home can be intimidating. We depend on the expertise of professionals to guide and navigate us through the complicated home purchase process. However, buying a home in a high risk flood zone can bring added complexities, especially with the passage of the new Biggert-Waters Flood Insurance Reform Act of 2012 (BW-12). The following is a checklist of what you should require of the professionals that you work with during the purchase of your new home:

Consults specialists that are knowledgeable with the National Flood Insurance Program (NFIP).



Realtors: Make sure your Realtor understands your vision for the property and how a structures location in a SFHA (high risk flood zone) can affect that vision. They should be familiar with both the insurance and regulatory sides of the NFIP, especially the potential consequences of BW-12 on the new purchase.



Insurance Agents: should have experience in writing NFIP Flood Policies, understand how to interpret an Elevation Certificate, and have knowledge of BW-12.



Surveyors: should be familiar with reading FEMA's Flood Insurance Rate Maps (FIRM) and Flood Insurance Study (FIS), have experience in properly filling out FEMA's Elevation Certificate Form, and have experience in applying for FEMA's Letter of Map Changes (LOMCs).



Architects / Engineers: should be familiar with the NFIP regulations, understand that local Floodplain Management Ordinances may be more stringent than the minimum NFIP regulations, and know who to talk with at the Building Department when trying to obtain a permit in a SFHA (high risk flood zone). It would be helpful if they understood the insurance ramifications for different design options.



Buyers: Do your homework. Ask questions. Be your own advocate !!

Sellers: Be sure to disclosure the flood risk based on current effective FEMA's Flood Insurance Rate Maps.

How do I determine the Base Flood Elevation (BFE)?

An Elevation Certificate (EC) is the tool FEMA uses to document the relationship between the BFE and the structures lowest floor. With BW-12 in effect, surveyors will be in higher demand as the need for ECs become a requirement for flood insurance rating for certain pre-FIRM structures in a SFHA. It's important that ECs are filled in correctly, as incorrect information could cause a property owner's flood insurance premiums to be mis-rated. Two important criteria for rating a flood insurance policy is determining the correct BFE and the building's lowest floor..

The BFE is the computed elevation to which floodwater is anticipated to rise during the base flood. The base flood is a flood having a one percent chance of being equaled or exceeded in any given year. This is the regulatory standard also referred to as the "100-year flood." BFEs are shown on Flood Insurance Rate Maps (FIRMs) and on flood profiles illustrated in FEMA's Flood Insurance Studies (FIS). Counties use the BFE to regulate building requirements for the elevation or floodproofing of structures within a SFHA. The relationship between the BFE and a structure's elevation determines the flood insurance premium.

The first thing in assuring that an EC has the correct BFE is to use the current effective FIRMs. Sometimes, some offices have older paper maps that are still being used, but they are likely not the current effective maps. It's important to remember that map changes occur from time to time, so the flood hazard information on the older maps may have been superseded.

The following are the current effective map index panel dates for each county. Keep in the mind the individual panels may have an earlier date that the map index panel.

Honolulu: January 19, 2011
Maui: September 19, 2012

Kauai: September 26, 2010
Hawaii: April 21, 2004

To view the most current effective FIRM maps and FIS, the following sources can be utilized:

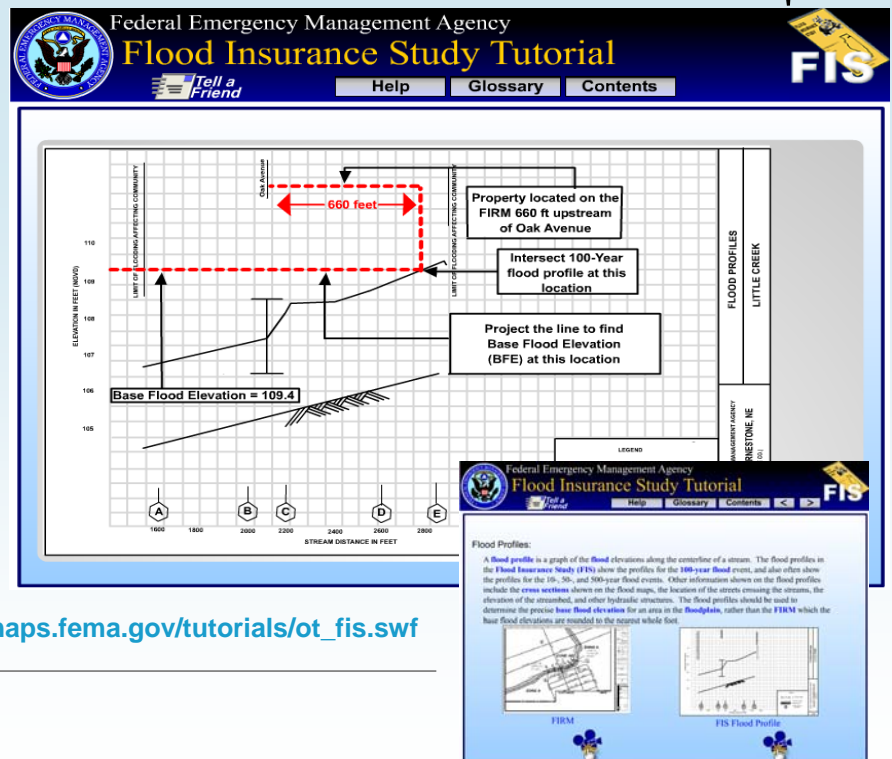
- **FEMA Map Service Center** (www.msc.fema.gov); or
- **Hawaii Flood Hazard Assessment Tool** (<http://gis.hawaiiinfip.org/fhat/>)



The Hawaii Flood Hazard Assessment Tool (FHAT) has a feature which allows users to initiate an Elevation Certificate form, by pre-populating specified fields of the form with property information (Section A) and FIRM panel information (Section B). Using this feature of the FHAT, will ensure you are using the most current effective FIRM maps. To try it out visit: <http://gis.hawaiiinfip.org/fhat> and click on the "ELEVATION CERTIFICATE" tab on the menu bar, then follow the online instructions.

The FIS flood profiles must be utilized to determine the BFE in riverine areas where flood profiles are available. A tutorial on the FIS, includes a section on how to calculate BFEs from the flood profiles.

To view the online tutorial, visit: http://www.floodmaps.fema.gov/tutorials/ot_fis.swf



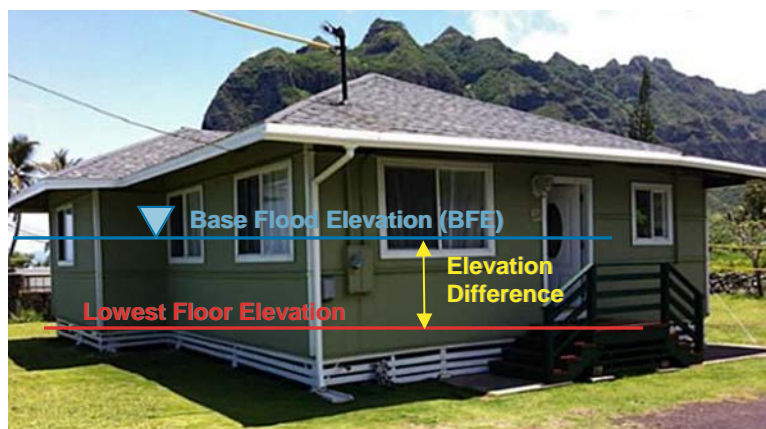
Surveying community reviews BW-12 legislation. Read what they have to say in The American Surveyor Magazine Volume 9 No. 8 issue:

http://www.amerisurv.com/PDF/TheAmericanSurveyor_CrattieLathrop-FloodInsuranceReformAct_Vol9No8.pdf

October 2013 Specific Rate Guidelines Released

On September 3, 2013, FEMA released the Specific Rating Guidelines along with several other documents relating to the October 2013 rules and rates for Submit-for-Rate risks. These are properties at high flood risk that, because of peculiarities in their exposure to flooding, do not lend themselves to pre-programmed rates noted in the NFIP Flood Insurance Manual. (<https://www.fema.gov/media-library/assets/documents/34620>)

Property owners attempting to estimate their full-risk rate annual premium for a pre-FIRM structures using these rate tables can become overwhelmed. The only way to get an accurate quote is to provide your insurance agent with an Elevation Certificate. However, you might not have one just yet, but would like to get an idea of what kind of annual premiums you may expect. The following tables provide **estimated** annual premiums for a pre-FIRM, 1-4 family dwelling structure (similar to the home pictured below) in AE or VE zones based on the October 2013 rates. These estimated premiums are starting rates ONLY w/o consideration of any loading factors.



Example 1: Mr. Kealoha purchased a pre-FIRM house in an AE flood zone on November 15, 2012 to be used as his primary residence. At closing, he purchased a subsidized flood insurance policy at a cost of \$3,289 for full coverage (\$250K building and \$100K contents). However, upon annual renewal in November 2013, Mr. Kealoha will be required to submit an Elevation Certificate (EC) to determine the full risk rate, which he will now be required to pay as a result of BW-12 legislation. His EC indicates that his lowest floor elevation is below the Base Flood Elevation by 2 feet. In order to maintain the same coverage amounts, Mr. Kealoha's new annual premium will increase to ~\$6,424.

Example 2: Let's assume that the home Mr. Kealoha purchased in Example 1 was in a VE zone. The subsidized flood insurance policy would have cost him ~\$7,173 for full coverage at closing. In order for Mr. Kealoha to maintain the same coverage amounts, his new annual premium will range between \$16,143 - \$25,567 dependent upon the Insurance (I) to Replacement Cost (RC) ratio. Assuming the Replacement Cost for his home is \$400,000, the I/RC ratio is 0.625 ($250,000/400,000$). Therefore, his new annual premium will be ~\$19,792.

AE Zone Rates pre-FIRM full-risk rate \$1,000 deductible (1 floor, no basement)	Elevation Difference	Est. Annual Premium (\$250K Building / \$100K Contents)	Est. Annual Premium (\$250K Building ONLY)
Source: Table 3B (October 2013 Flood Insurance Manual)	4	\$ 553.25	\$ 359.00
	3	\$ 591.05	\$ 396.80
	2	\$ 666.65	\$ 472.40
	1	\$ 931.25	\$ 695.00
	0	\$ 1,814.83	\$ 1,428.95
	-1	\$ 5,642.08	\$ 4,515.95
Source: Table 3B Extension (October 2013 Specific Rating Guidelines)	-2	\$ 6,424.33	\$ 5,088.20
	-3	\$ 8,570.53	\$ 6,709.40
	-4	\$ 10,703.60	\$ 8,325.35
	-5	\$ 13,062.43	\$ 9,909.80
	-6	\$ 15,165.58	\$ 11,655.95
	-7	\$ 17,195.75	\$ 13,389.50
	-8	\$ 19,362.95	\$ 15,115.70
	-9	\$ 21,448.25	\$ 16,781.00
	-10	\$ 23,476.85	\$ 18,410.60
	-11	\$ 25,410.43	\$ 19,963.55
	-12	\$ 27,260.00	\$ 21,458.75
	-13	\$ 28,996.18	\$ 22,861.55
	-14	\$ 30,580.10	\$ 24,138.35
	-15	\$ 32,043.28	\$ 25,320.65

VE Zone Rates pre-FIRM full-risk rate \$1K deduct. 1 floor no basement	Elevation Difference	Estimated Annual Premium (\$250K Building/\$100K Content)		
		I/RC Ratio (0.75 or more)	I/RC Ratio (0.50-0.74)	I/RC Ratio (under 0.50)
Source: Table 3E (October 2013 Flood Insurance Manual)	4 or more	\$ 2,987.15	\$ 3,748.40	\$ 5,428.40
	3	\$ 3,359.90	\$ 4,357.40	\$ 6,194.90
	2	\$ 4,677.65	\$ 5,911.40	\$ 8,457.65
	1	\$ 6,714.65	\$ 8,420.90	\$ 11,255.90
	0	\$ 8,846.15	\$ 10,893.65	\$ 14,411.15
	-1	\$ 11,891.15	\$ 14,621.15	\$ 19,214.90
	-2	\$ 16,143.65	\$ 19,792.40	\$ 25,567.40
	-3	\$ 19,262.15	\$ 23,225.90	\$ 28,948.40
Source: Table 3E Extension (October 2013 Specific Rating Guidelines)	-4	\$ 25,032.95	\$ 29,652.95	\$ 35,637.95
	-5	\$ 30,177.95	\$ 35,480.45	\$ 41,964.20
	-6	\$ 35,091.95	\$ 40,945.70	\$ 47,744.45
	-7	\$ 39,701.45	\$ 45,948.95	\$ 52,878.95
	-8	\$ 43,817.45	\$ 50,327.45	\$ 57,231.20
	-9	\$ 47,366.45	\$ 53,955.20	\$ 60,675.20
	-10	\$ 50,143.70	\$ 56,627.45	\$ 63,084.95

NOTE: The rates used in the examples and shown on the tables (above) are estimated rates. For accurate rating, consult with your insurance agent.

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Make Hawaii a Great Place to Live !!

Save Money on Flood Insurance

The following are suggestions to help owners reduce their risk and/or save money on flood insurance:

- ◆ Use higher deductibles to lower premium costs;
- ◆ Elevate structure above the BFE;
- ◆ Communities participating in the Community Rating System (CRS) program are rewarded with premium discounts for going above the minimum standards of the NFIP. Maui and Hawaii County are Class 8 CRS communities and are receiving a 10% discount on their flood insurance;
- ◆ Selected FEMA grant programs such as the Hazard Mitigation Grant Program (HMGP), Flood Mitigation Assistance (FMA), and the Pre-Disaster Mitigation Program (PDM) may be eligible for mitigative improvements. These grants are administered by the Hawaii State Civil Defense Agency. Contact the State Hazard Mitigation Officer for more information. Information about the grant programs can be found at: <http://www.fema.gov/hazard-mitigation-assistance>.

If you have concerns about how BW-12 legislation affects you, contact your Congressional Delegates to voice your concerns.

www.senate.gov
www.house.gov

Useful Links



It's important to stay current on BW-12, as things are still evolving. To keep yourself well-informed, keep these Useful Links bookmarked:

Biggert-Waters Flood Insurance Reform Act

FEMA BW-12 Informational webpage
www.fema.gov/bw12

Official website of the NFIP
www.floodsmart.gov

Flood Insurance Rate Maps

FEMA Map Service Center
www.msc.fema.gov

Hawaii Flood Hazard Assessment Tool
www.hawaiiinfip.org